

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF PENNSYLVANIA

IN RE: : CASE NO. 08-11289
: :
CREDITRON FINANCIAL CORPORATION, : Related to Docket No. 196
: :
Debtor. : Hearing Date & Time:
: December 2, 2010 @ 9:30 a.m.
: :
: Response Deadline:
: November 24, 2010
: :
: JUDGE AGRESTI

**DOLLAR BANK, FEDERAL SAVINGS BANK LIMITED OBJECTION
TO DEBTOR'S DISCLOSURE STATEMENT**

Dollar Bank, Federal Savings Bank (“Dollar Bank”), by and through its undersigned counsel, hereby files this *Limited Objection to Debtor’s Disclosure Statement* (the “Objection”).

In support of the Objection, Dollar Bank states as follows:

DOLLAR BANK LOANS

1. The Debtor is indebted to Dollar Bank on account of two loans – (A) a \$1,250,000 term loan which was provided to Alfred D. Covatto and Joyce M. Covatto (the “Shareholders”), which term loan is secured by a security interest in three parcels of real property owned by the Shareholders and guaranteed by the Debtor (which guarantee is secured by a security interest in accounts, chattel paper, documents, equipment, general intangibles, instruments, inventory and proceeds); and (B) a \$500,000 line of credit loan which was provided to the Debtor, secured by the Debtor’s accounts receivable, inventory and equipment, and guaranteed by the Shareholders (which guarantee is secured by a security interest in three parcels of real property owned by the Shareholders). The two loans shall be referred to collectively as the “Dollar Bank Loans.”

2. On November 4, 2008, Dollar Bank filed Proof of Claim No. 9 on account of the Line of Credit Loan (defined below) in the secured amount of \$504,543.16 and Proof of Claim No. 10 on account of the Term Loan (defined below) in the secured amount of \$716,234.51 (collectively, the “Dollar Bank Claims”).

A. Term Loan Obligations

3. First, on June 13, 1997, Shareholders and Dollar Bank entered into an Open-End Mortgage Note pursuant to which Dollar Bank provided the Shareholders with a term loan in the principal amount of \$1,250,000 (the “Term Loan”).

4. In connection with the Term Loan, the Shareholders executed an Open-End Mortgage and Security Agreement dated June 13, 1997 (the “Term Loan Mortgage”) granting Dollar Bank a security interest in three parcels of real property (the “Property”).

5. The Debtor executed a Guaranty and Suretyship Agreement dated June 13, 1997 (the “Term Loan Guaranty”) in support of the Term Loan and also executed a Security Agreement dated June 13, 1997 (the “Term Loan Guaranty Security Agreement”) to secure the obligations under the Term Loan Guaranty. Under the Term Loan Guaranty Security Agreement, the Debtor granted Dollar Bank a security interest in its accounts, chattel paper, documents, equipment, general intangibles, instruments, inventory and proceeds (owned and after acquired) (the “Term Loan Guaranty Collateral”).

6. The Debtor is currently \$16,338.64 in arrears (\$4,135.94 Principal, \$6,001.85 Interest, \$592.58 Tax Escrow, and \$608.27 late charge) on the Term Loan Guaranty.

B. Line of Credit Loan Obligations

7. Second, on April 30, 1999, Dollar Bank and the Debtor entered into a Loan Agreement pursuant to which Dollar Bank provided the Debtor with a line of credit in the

principal amount of \$500,000 (the “Line of Credit Loan”). The Debtor also executed a Note (dated April 30, 1999) in favor of Dollar Bank for the principal sum of \$500,000 on account of the Line of Credit Loan.

8. To secure the Line of Credit Loan, the Debtor executed a Security Agreement dated April 30, 1999, pursuant to which the Debtor granted Dollar Bank a security interest in its receivables, inventory and equipment (the “Line of Credit Collateral”).

9. The Line of Credit Loan is also guaranteed by the Shareholders pursuant to a Guaranty and Suretyship Agreement dated April 30, 1999 (the “Line of Credit Guaranty”), and their obligations thereunder are secured by the Property pursuant to an Open-End Mortgage and Security Agreement (also dated April 30, 1999) (the “Line of Credit Guaranty Mortgage”).

10. The Debtor is currently \$3,985.52 in arrears (\$3,759.92 Interest and \$225.60 Late Charge) on the Line of Credit Loan.

AMOUNT OF DOLLAR BANK CLAIMS AS OF NOVEMBER 15, 2010

11. As of November 15, 2010, the payoff balances for the Dollar Bank Loans are as follows:

Term Loan:

TOT PRINCIPAL	\$602,597.26
TOT INTEREST	8,688.16
TOT LATE FEES	608.27
TOT NET PAYOFF	\$611,893.69
TOT ESCROW TAX	(27,962.90)
TOT ESCROW INS	.00
TOT PREPAY PREM	18,202.00
TOT GROSS PAYOFF	\$602,132.79
TOT PER DIEM	\$192.16157

Line of Credit Loan:

TOT PRINCIPAL	\$499,012.44
TOT INTEREST	5,457.95
TOT LATE FEES	225.60
<hr/>	
TOT NET PAYOFF	\$504,695.99
TOT ESCROW TAX	.00
TOT ESCROW INS	.00
TOT PROT PREM	.00
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TOT GROSS PAYOFF	\$504,695.99
TOT PER DIEM	\$121.28774

12. In addition to the payoff balances set forth above, Dollar Bank's secured claim also includes \$31,834.68 in attorneys fees incurred through November 12, 2010, for a total secured claim in the amount of \$1,138,663.30, as of November 15, 2010. This total does not include satisfaction fees for the mortgage and assignment of rents, which fees will be included in the total allowed Dollar Bank Claim at the time of closing.

13. Because the per diem charges, attorneys fees and other costs provided for under the terms of the Dollar Bank Loans will continue to accrue from November 15, 2010 through the time of closing on the proposed plan financing from Veteran Contract Center ("VCC"), these amounts will be added to the current amount of the Dollar Bank Claim and become part of the total allowed Dollar Bank Claim.

14. The total allowed amount of the Dollar Bank Claim will be established at the time of closing based on the terms of the Dollar Bank Loans.

**PROPOSED TREATMENT OF DOLLAR BANK LOANS
IN THE PLAN AND DISCLOSURE STATEMENT**

15. The Debtor has placed the Dollar Bank Claims in Class 4, Non-Tax Secured Claims, and proposes to pay the total amount due from \$3,500,000 in plan financing supplied by VCC.

16. In the Disclosure Statement, the Debtor lists the two Dollar Bank Loans as having balances of \$732,735.18 and \$504,543.16, for a total of \$1,237,278.34.

17. The Debtor's Plan Summary also asserts that the total is now approximately \$1,100,000 due to payments made during the pendency of the case. As set forth below, the total amount of the Dollar Bank Claims as of November 15, 2010 is \$1,138,663.30.

LIMITED OBJECTION

18. Dollar Bank does not object to the Debtor's plan to pay off the Dollar Bank Loans as long as the loans are paid in full and at the time of closing.

19. Dollar Bank does, however, object to the Disclosure Statement, Plan and Plan Summary to the extent that they do not accurately reflect the current amount of the Dollar Bank Claims.

20. As set forth above, as of November 15, 2010, the total amount of the Dollar Bank Claims is \$1,138,663.30. This total does not include satisfaction fees for the mortgage and assignment of rents, which fees will be included in the total allowed Dollar Bank Claims at the time of closing.

21. The Debtor's Disclosure Statement, Plan and Plan Summary must be modified to provide for the actual amount due and owing under the terms of the Dollar Bank Loans. The Debtor's assertion that the Dollar Bank Claims are now approximately \$1,100,000 due to payments made during the pendency of the case, is not correct.

22. Finally, attached to the Debtor's *Response to Order of October 22, 2010* (Docket No. 202) is a copy of a *Commercial Loan Commitment Letter* dated October 19, 2010 from VCC, which indicates that a financing fee of \$12,500 is due upon acceptance of the commitment.

23. Given the uncertainty surrounding this case, the uncertainty regarding the Debtor's ability to secure the necessary financing from VCC, and the uncertainty about the conformability of the proposed Plan, Dollar Bank also objects to the use of its cash collateral to fund the payment of any financing fee until the VCC loan is closed and the Dollar Bank Claims are paid in full.

24. Dollar Bank raises this objection herein because, although the *Commercial Loan Commitment Letter* is not part of the Disclosure Statement, it serves as the entire basis for the Debtor's Disclosure Statement and Plan.

25. Dollar Bank reserves the right to raise additional objections to the Plan at the appropriate time.

Dated: November 24, 2010

Respectfully submitted,

/s/ Nicholas R. Pagliari
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CERTIFICATE OF SERVICE

I, the undersigned, certify that I served, or caused to be served, on the 24th day of November, 2010, a copy of the Limited Objection to Debtor's Disclosure Statement upon each of the following persons and parties in interest at the address shown on the attached list.

Respectfully submitted,

/s/ Nicholas R. Pagliari
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Creditron Financial Corporation
Case No. 08-11289
Service List

The following parties received service via the CM/ECF System and will not receive a paper copy of the filing:

Lawrence C. Bolla, Esquire; lbolla@quinnfirm.com ; Counsel to Dollar Bank, Federal Savings Bank
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